

METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY



September 27, 2016

Nathalie Stiers
Justice Integration Services
404 James Robertson Parkway
Suite 2020
Nashville, TN 37219

Dear Ms. Stiers:

Please find attached the final monitoring report on the Justice Integration Services' use of Metro credit cards. This report explains the results of our review of delegated purchasing authority and VISA and MasterCard credit card transactions from July 1, 2012 through February 29, 2016. You previously reviewed and responded to the preliminary report. Your responses to the preliminary report have been incorporated into this final report.

We appreciate your cooperation and assistance during the review. If you have any questions, please call me at (615) 880-1035.

Sincerely,

Fred Adom, CPA,
CGMA, CICA

Digitally signed by Fred Adom, CPA, CGMA, CICA
DN: cn=Fred Adom, CPA, CGMA, CICA, o=Metro
Department of Finance, ou=Office of Financial
Accountability, email=fred.adom@nashville.org,
c=US
Date: 2016.09.27 14:03:57 -05'00'

Director, Office of Financial Accountability

cc: Talia Lomax-O'dneal, Director of Finance, Department of Finance
Gene Nolan, Deputy Director of Finance, Department of Finance
Kim McDoniel, Chief of Accounts, Department of Finance
Tom Eddlemon, Metropolitan Treasurer, Department of Finance
Jeff Gossage, Purchasing Agent, Department of Finance
Mark Swann, Metropolitan Auditor, Office of Internal Audit
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Essie Robertson, CPA, CMFO, CICA, Office of Financial Accountability
Matthew Fouad, Office of Financial Accountability



◆ Monitoring Report of ◆

Justice Integration Services

Conducted by



Office of Financial Accountability

September 27, 2016

MONITORING REPORT

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INTRODUCTION

The Office of Financial Accountability (hereinafter referred to as “OFA”) has completed a credit card review of the Justice Integration Services’ compliance with the *Metro Code of Law Title 4, Procurement Code* and compliance with the *Metro Finance Policy #19: Credit Card Policy*.

A review is substantially less in scope than an audit. The OFA did not audit the financial statements and, accordingly, does not express an opinion or any assurances regarding the financial statements of Metro or any of its component units.

The OFA is responsible for the internal monitoring of Metro agencies that receive federal and state financial assistance, including cooperative agreements and non-profit organizations that receive appropriations from Metro government. The OFA also conducts prompt pay performance, delegated purchasing authority, and procurement reviews, including credit card usage by Metro departments. In summary, any agreement that imposes performance and/or financial requirements on Metro government is subject to review by the OFA.

This review was conducted as part of the comprehensive review of credit cards use by all Metro Departments as requested by the Metro Council. At the conclusion of the review of all applicable Metro departments, the OFA will compile a summary report of the results of the review of all departments.

Agency Background

The mission of the Justice Integration Services’ is “to provide customized, integrated case management software and technology support to Metro Nashville Justice Agencies so they can manage and use shared information to improve the administration of justice for the Nashville community.” Per the Fiscal Year 2016 Operating Budget Book, the Justice Integration Services had 19 total budgeted positions and an operating budget of \$2,471,000.

OBJECTIVES, SCOPE AND METHODOLOGY

The scope of the credit card review period covered July 1, 2012 through February 29, 2016. There were four (4) cardholders in the Justice Integration Services during the review period. See the table below for details:

Cardholder Name	Time Period	Number of Transactions	Dollar Value of Transactions
Cardholder A	08/2014 – 06/2015	17	\$6,465.69
Cardholder B	07/2015 – 02/2016	5	\$380.82
Cardholder C	09/2012 – 08/2014	16	\$3,025.12
Cardholder D	08/2014 – 12/2015	7	\$688.14
Total		45	\$10,559.77

The Office of Financial Accountability reviewed 36 transactions (80%) of the credit card activity.

The objectives of our review were:

- 1) To determine the agency's compliance with M.C.L. Title 4, Procurement Code.
- 2) To determine the agency's compliance with Metro Finance Policy #19: Credit Cards.
- 3) To determine whether credit card expenditures were allowable and necessary.
- 4) To determine whether purchasing transactions were authorized and sufficiently documented.
- 5) To determine whether the agency has adequate and effective internal controls over its credit card program.

Our review procedures included meeting with agency management and staff, reviewing internal controls over credit card use, and examining certain financial records and supporting documentation to ensure compliance with requirements set forth in Metro's official procurement policies. Specific procedures included:

- Comparing credit card charges with original receipts, supporting documentation and travel authorizations.
- Reviewing supporting documentation for accuracy, necessity and reasonableness.
- Identifying split purchases and unauthorized or fraudulent transactions.
- Investigating discrepancies and following up as necessary.

RESULTS OF REVIEW

Overall Findings and Major Review Highlights

Our review revealed the following issues of non-compliance with M.C.L. Title 4, Procurement Code and Metro Finance Policy #19: Credit Card. The Justice Integration Services:

1. Failed to maintain adequate supporting documentation.
2. Failed to exercise exempt status by improperly paying sales tax,

The section that follows provides more detailed information for the items listed above. Management is given an opportunity to respond to the findings.

FINDINGS AND RECOMMENDATIONS

1. Failed to maintain adequate supporting documentation.

Finding

The Justice Integration Services failed to maintain invoices and/or sales receipts to support 11% of the transactions tested. Without supporting documentation, the Justice Integration Services was unable to support the business purpose of the transactions. Per *Metro Finance Policy #19 Credit Cards 3) Expectations of Cardholders b) "Cardholders should collect and maintain proper sales receipts and invoices to support all charges. Proper sales receipts should include adequate description of the items purchased and the individual benefitting (when applicable). Credit card charge slips are not sufficient support."*

The OFA also noted that 17% of the transactions for which the supporting documentation was provided was not signed or initialed by the cardholder. Cardholder's signature is a vital part of the necessary documentation to support the credit card charges. It serves two purposes, 1) it shows that the cardholder was in fact the person who used the card to complete the transaction and 2) it identifies the individual authorized the use of the credit card. Per *Metro Finance Policy #19 2) Card Authorization a) "Only the employee whose name is embossed on a credit card may use the card. No other person is authorized to use the card. The use of the card shall not be delegated to any other person. Cardholder shall use the credit card for Metro authorized purchases only."* In addition, per the *Metro Credit Card Cardholder Responsibility Acknowledgement*, "the card issued to me must not be used by anyone other than myself. (This includes other Metro employees)."

RECOMMENDATION

The Justice Integration Services should ensure that cardholders maintain adequate supporting documentation to support credit card transactions.

The Justice Integration Services should further ensure that the cardholders review and sign the credit card supporting documentation to ensure that no one other than the cardholder is utilizing the Metro credit card.

MANAGEMENT'S COMMENT

We concur.

2. Failed to exercise exempt status by improperly paying sales tax.

The Justice Integration Services improperly paid sales tax on four (4) transactions totaling \$12.78. Per *Metro Finance Policy #19 3) Expectations of Cardholders d) "Cardholders are also responsible for identifying and disputing erroneous charges, including Tennessee sales tax charges, to their assigned cards. It is the responsibility of the cardholder to dispute the charges as specified in the cardholder agreement."* In addition, *e) "Cardholders should not pay Tennessee sales tax. It is the cardholder's responsibility to dispute Tennessee sales tax charges."*

RECOMMENDATION

The Justice Integration Services should ensure that Metro Cardholders review and dispute charges associated with Tennessee sales tax. The Justice Integration Services should also ensure that Metro credit card cardholders adhere to Metro Finance Policy #19.

MANAGEMENT'S COMMENT

We concur.